



**MEETING OF THE RETIREMENT BOARD
OF THE COUNTY EMPLOYEES' AND OFFICERS' ANNUITY AND BENEFIT FUND
OF COOK COUNTY AND EX OFFICIO FOR THE FOREST PRESERVE DISTRICT
EMPLOYEES' ANNUITY AND BENEFIT FUND OF COOK COUNTY**
33 N Dearborn St, Suite 1000
Chicago, IL 60602

Minutes for the October 1, 2015 Meeting of the Board

The County Employees' and Officers' Annuity and Benefit Fund of Cook County and the Forest Preserve District Employees' Annuity and Benefit Fund of Cook County are herein collectively referred to as the "Fund."

Call to Order and Roll Call

Trustees Present: Alexis Herrera, Jack Fitzgerald, Diahann Goode, Brent Lewandowski, Patrick McFadden, Patrick Nester, Samuel Richardson, Jr. and Lawrence Wilson

Staff Present: Nickol R. Hackett, Executive Director & CIO; Michael Maratea, Director of Finance and Administration; Gary LeDonne, Senior Benefit Advisor; Brenda Deming, Director of Health Benefits; Margaret Fahrenbach, Legal Adviser; Paul Rzeszutko, Director of Annuity Benefits; Beverly Romanini, Office Manager

Others Present: Mary Pat Burns, Burke Burns & Pinelli, LTD; Joseph Nevius, Forest Preserve Annuitant; Theron Picketts, Topeka Capital

Trustee Herrera opened the meeting for public comment and no one having requested to address the Board, the next item of business on the Agenda was considered.

1. Review and Consideration of:

a. September 3, 2015 Board Meeting Minutes

It was moved by Trustee McFadden and seconded by Trustee Richardson that the minutes of the September 3, 2015 Board meeting be adopted.

Vote Result: MOTION ADOPTED UNANIMOUSLY BY VOICE VOTE

2. Review and Consideration of:

a. Bills, Payroll Records

The Fund's monthly bills and payroll records were presented for the Board's approval. It was moved by Trustee Goode and seconded by Trustee Nester that the action taken by the Fund's staff in remitting payments for the presented bills and payroll records be approved.

Roll Call Vote:

AYES: Fitzgerald, Herrera, Goode, Lewandowski, McFadden, Nester, Richardson, Wilson
NAYS: None

Vote Result: MOTION ADOPTED

b. Annuities, Spouse and Child Annuities and Refunds

The Fund's staff presented their recommendations to the Board regarding the applications for annuities, spouse and child annuities, and refunds and confirmed that they followed the Fund's procedures in reviewing and processing the applications in making their recommendations.

It was then moved by Trustee McFadden and seconded by Trustee Richardson, after due consideration of the applications presented to the Board and having received confirmation from the staff that they followed the Fund's procedures in reviewing and processing the applications, that the recommendations for the presented annuities and refunds be approved.

Roll Call Vote:

AYES: Fitzgerald, Goode, Herrera, Lewandowski, McFadden, Nester, Richardson, Wilson
NAYS: None

Vote Result: MOTION ADOPTED

c. Ordinary and Duty Disabilities

The Fund's staff presented their recommendations to the Board regarding the applications for ordinary and duty disability benefits and confirmed that they followed the Fund's procedures in reviewing and processing the applications in making their recommendations.

It was moved by Trustee Richardson and seconded by Trustee Lewandowski, after due consideration of the disability applications presented to the Board and having received confirmation from staff that they followed the Fund's procedures in reviewing and processing the applications, that the recommendations for the presented disability applications be approved.

Roll Call Vote:

AYES: Fitzgerald, Goode, Herrera, Lewandowski, McFadden, Nester, Richardson, Wilson
NAYS: None

Vote Result: MOTION ADOPTED

3. Trustee Matters

a. Forest Preserve Annuitant Candidate Review and Approval

Nickol R. Hackett Executive Director & CIO, stated that the Fund had received notice from two persons who expressed an interest in being considered for appointment to the unexpired term of the Forest Preserve District Annuitant member position which was currently vacant. Ms. Hackett stated that immediately prior to the Board meeting one candidate withdrew her request for consideration due to a sudden illness that arose that day and her inability to make a presentation. The remaining candidate, Joseph Nevius, was present and was ready to address the Board.

Mr. Joseph Nevius addressed the Board and stated that he had been an employee of the Forest Preserve District for nearly 38 years in various roles from landscape architect to management. He retired in 2003 and the last position he held was as the General Superintendent of the Forest Preserve District. Mr. Nevius stated that because of the benefits he received as an employee, he felt a responsibility to contribute. He added that he has been impressed with what the Board has accomplished and believes that he has the capability to make additional contributions. Upon inquiry by the trustees, Mr. Nevius acknowledged that his fiduciary responsibility as a trustee would extend to both the County and the Forest Funds. He further stated that he leaves the area during winter months and is unavailable to attend meetings in person, but could be available for remote participation via telephone.

It was moved by Trustee Lewandowski and seconded by Trustee Goode that the Board convene an Executive Session pursuant to Section 2(c)(3) of the Open Meetings Act and as is consistent with Section 9-187(a) of the Illinois Pension Code, to discuss the appointment of a candidate to fill the vacant Forest Preserve Annuitant position.

Roll Call Vote:

AYES: Fitzgerald, Goode, Herrera, Lewandowski, McFadden, Nester, Richardson, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

It was moved by Trustee Fitzgerald and seconded by Trustee McFadden that the Board close the Executive Session and return to open session.

Vote Result: MOTION ADOPTED UNANIMOUSLY BY VOICE VOTE

It was moved by Trustee Fitzgerald and seconded by Trustee McFadden pursuant to Section 9-187(a) of the Illinois Pension Code, that Joseph Nevius be appointed to fill the vacant Forest Preserve Annuitant position for the remainder of the unexpired term.

Vote Result: Seven trustees having voted “Aye”, and Trustee Richardson responding “Present”, the MOTION WAS ADOPTED.

b. Status Report from Independent Election Administrator – Informational, no motion required

The Executive Director stated that the Independent Election Administrator (“IEA”) provided a letter dated September 18, 2015, reporting on the status of the trustee elections scheduled for October 28, 2015. The deadline for filing nominating petitions was September 4, 2015. The Executive Director reported that Diahann Goode was the only candidate who filed a nominating petition for the Office of the Cook County Employee Member Trustee. Frank Tonovich and Patrick J. McFadden filed petitions for the office of the Cook County Annuitant Member Trustee. Samuel Richardson, Jr. and Dennis White filed petitions for the office of the Forest Preserve District Employee Member Trustee. No one challenged the sufficiency of any of the nominating petitions.

4. Administrative Report

a. Cyber Insurance

The Executive Director stated that because of the increased use of electronic transmissions, the Fund’s data was more vulnerable to compromise than in the past. In the event of a breach, the Fund would be obligated to notify members of the occurrence and could be further liable for damages. The current liability policies the Fund maintains only provide minimal coverage for this possible exposure. She noted that employee benefit plans are increasingly obtaining cyber liability insurance to cover potential exposures and that the Fund staff had obtained a proposal for privacy and network security (cyber) insurance.

It was moved by Trustee McFadden and seconded by Trustee Nester that the proposal for a Privacy and Network Security (Cyber) Liability Insurance made by Beazley Insurance Co., be accepted at an annual premium not to exceed \$4,000 upon the terms presented. It is further moved that the Fund’s staff and legal counsel take all action reasonably necessary to effectuate the foregoing including the execution and delivery of related written documents on behalf of the Fund by the Executive Director.

Roll Call Vote:

AYES: Fitzgerald, Goode, Herrera, Lewandowski, McFadden, Nester, Richardson, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

5. Finance Report

a. Fourth Quarter Cash Flow Report

Michael Maratea, Director of Finance and Administration reported on the fourth quarter cash needs for both the County and the Forest Funds. He reported that the County Fund required \$140 million and that the Forest Fund required \$4.7 million to be withdrawn to cover the projected cash shortfalls for each of the Funds through December, 2015. The Executive Director & CIO said that in 2015, the Fund will have liquidated more assets than it received in contributions in order to pay benefits which will result in a more accelerated erosion of the funded status.

The trustees asked about the status of the discussions with Cook County about a possible Intergovernmental Agreement (“IGA”) to provide a framework through which sales tax revenue could be transferred to the Fund. Mary Pat Burns, Fund counsel, stated that she had responded to an IGA proposed by the County and expected to receive the County’s response shortly. Trustee Fitzgerald stated that the IGA was not the appropriate strategy to address the decreasing funded status. He stated that the Board should draft a letter to the County Board, the unions, the legislature, editorial boards and the Fund’s membership seeking changes in the Pension Code so that the County would be required to pay actuarial required contributions and that such funding could be permitted from any source. Trustee Goode stated that the matter could go before the Board’s Legislative Committee. Trustee Lewandowski suggested that the Board develop a strategy for the approach, but stated that no meeting of the Legislative Committee was scheduled to occur.

It was noted that a single payment under the proposed IGA would not change the funding status. Mary Pat Burns acknowledged that a continued cash flow deficit will have a negative impact on the funded liability. She further noted that the Board has a fiduciary duty to advocate for adequate funding that could be addressed by the Legislative Committee, but that the Fund’s current funding status, while trending downward, had not decreased to a level that required immediate action. In response to an inquiry from Trustee Lewandowski as to when the Fund needed to act, Ms. Burns reminded the trustees that the Illinois Supreme Court suggested in the *In Re Pension Litigation* matter that it would consider a direct action by a public pension fund against a plan sponsor for funding at the point where the pension fund considered itself ‘diminished or impaired.’ Ms. Burns further noted that the Court did not address what that meant exactly.

Trustee Fitzgerald stated that the Board needed a strategy to deal with the decreasing unfunded status apart from the IGA. He stated that the law needed to be changed to provide for adequate funding. He also stated that a letter should be prepared for the County Board communicating the dire nature of the economic situation of the Fund. The trustees noted that the Fund has proposed legislation in the past which would require the County to make actuarial required contributions sufficient to support the needs of the Fund. Mr. Fitzgerald stated that the Fund’s legislative liaison be asked to resubmit such proposed legislation. He added that the Board should prepare a letter to update members about the funded status and would like such a draft to be prepared for the Board’s November meeting. The Fund staff were directed to prepare a draft communication to stakeholder groups.

There being no further discussion, it was moved by Trustee Richardson and seconded by Trustee Goode that the County Fund shall have authority to withdraw cash in an aggregate

amount not to exceed \$140 million to cover projected expenses through December 31, 2015, and that the Fund staff be authorized to take all action reasonably necessary to effectuate the foregoing.

Roll Call Vote:

AYES: Fitzgerald, Goode, Herrera, Lewandowski, McFadden, Nester, Richardson, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

It was moved by Trustee Richardson and seconded by Trustee Goode that the Forest Fund shall have authority to withdraw cash in an aggregate amount not to exceed \$4.7 million to cover projected expenses through December 31, 2015, and that the Fund staff be authorized to take all action reasonably necessary to effectuate the foregoing.

Roll Call Vote:

AYES: Fitzgerald, Goode, Herrera, Lewandowski, McFadden, Nester, Richardson, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

b. Fraud Prevention Status

The Executive Director stated that the Better Government Association (“BGA”) had recently served Freedom of Information Requests on public pension funds, including the Fund, requesting information about the efforts made to recover overpayments and the BGA reported their findings. The Director of Finance reviewed the status of the Fund’s efforts to reach out to its members to verify that they were still eligible to receive annuity benefits.

Ms. Burns, Fund counsel, noted that pension funds rely upon the Social Security Administration’s death match file to ascertain whether annuitants’ deaths have been reported, but that the number of deaths reported to the SSA has been decreasing. The State of Illinois has its own death reporting data, but the reports are not available to public pension funds. The public pension funds have attempted, through the Department of Insurance, to obtain access to that data, but those efforts have not yet been successful.

6. Legal Matters

a. In the Matter of Adusumilli – Recommendation of Hearing Officer

Margaret Fahrenbach, Legal Advisor, presented the Recommendation of the Hearing Officer in regard to Chowdary Adusumilli’s request that he be allowed to purchase unused sick time more than 30 days after the separated from County employment. She stated that the Hearing

Officer found that because the member had not complied with the requirement of Section 9-220 of the Pension Code, he could not purchase unused sick time.

It was moved by Trustee Lewandowski and seconded by Trustee Goode that the Findings of Fact and Conclusions of Law recommended by the Hearing Officer be adopted and that the Board reaffirm its earlier decision that Chowdary Adusumilli was not eligible to purchase unused sick time because he had not met the requirements of Section 9-220 of the Illinois Pension Code. It is further moved that this is a final administrative decision within the meaning of Section 9-236 of the Illinois Pension Code.

Roll Call Vote:

AYES: Fitzgerald, Goode, Herrera, Lewandowski, McFadden, Nester, Richardson, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

b. Jackson v. CEAB – Status

Ms. Fahrenbach stated that the Illinois Appellate Court had affirmed a decision by the Circuit Court holding that Mr. Lawrence Jackson was eligible for ordinary disability benefits from the Fund while he had been employed by an Illinois Municipal Retirement Fund (“IMRF”) employer. The Board had determined that he was not eligible for ordinary disability benefits because of his IMRF employment and Mr. Jackson appealed. The decision was based upon Supreme Court Rule 23 and does not have value as precedent, except in limited circumstances.

c. Reciprocal Annuity Forfeiture

Paul Rzeszutko, Director of Benefits, stated that the Fund was recently advised by the Illinois Municipal Retirement Fund that it had revoked the annuity benefits paid to Robert G. Healy because he had been convicted of a felony related to his employment. Mr. Healy received benefits from the Fund under the Reciprocal Act based upon his service with the IMRF employer. Because he was no longer eligible for annuity benefits based upon his IMRF service, the Fund was required to recalculate his benefits. Since Mr. Healy had only 6 years and 7 months of County service, he was only entitled to a refund of contributions. The total annuity benefits Mr. Healy received exceeded the contributions he paid; accordingly there is no further refund due to him.

It was moved by Trustee McFadden and seconded by Trustee Goode, due to the determination made by the Illinois Municipal Retirement Fund (“IMRF”) that Robert G. Healy was not eligible for annuity benefits from IMRF pursuant to Section 7-219 of the Illinois Pension Code, that any benefits due to him from the County Fund under the Retirement Systems Reciprocal Act, 40 ILCS 5/20-101 et seq., be adjusted as presented, including but not limited to, the recovery of any overpayments.

Roll Call Vote:

AYES: Fitzgerald, Goode, Herrera, Lewandowski, McFadden, Nester, Richardson, Wilson
NAYS: None

Vote Result: MOTION ADOPTED

7. Consideration of September 24, 2015 Health Benefits Committee Recommendation

a. Summary of Renewal

Brenda Deming, Director of Health Benefits, stated that the Health Benefits Committee at their meeting on September 24, 2015, reviewed the 2016 expected plan expense as presented by Segal Company. The 2016 health plan expenses are projected to increase by 11.1% over expenses in 2015. The HBC had three recommendations which should reduce the Fund's expenses, as presented.

It was moved by Trustee Fitzgerald and seconded by Trustee McFadden that the Board adopt the recommendations made by the Health Benefits Committee at their meeting on September 24, 2015, to subsidize member health benefits in 2016 at 52% for annuitants and 67% for survivors for the (1) Choice plan with Medicare; (2) Choice plan without Medicare and (3) ChoicePlus plan with Medicare. It is further moved that the Board adopt the recommendation to subsidize member health benefits in 2016 at 47% for annuitants and 62% for survivors for the ChoicePlus plan without Medicare.

Roll Call Vote:

AYES: Fitzgerald, Goode, Herrera, Lewandowski, McFadden, Nester, Richardson, Wilson
NAYS: None

Vote Result: MOTION ADOPTED

It was moved by Trustee McFadden and seconded by Trustee Goode that the Board adopt the recommendations made by the Health Benefits Committee at their meeting on September 24, 2015, under the pharmacy plan, to increase member copays for a 90 day supply for Preferred brands from \$55 to \$65 and to increase member copays for a 90 day supply for Non-preferred brands from \$90 to \$100.

Roll Call Vote:

AYES: Fitzgerald, Goode, Herrera, Lewandowski, McFadden, Nester, Richardson, Wilson
NAYS: None

Vote Result: MOTION ADOPTED

It was moved by Trustee McFadden and seconded by Trustee Goode that the Board adopt the recommendation made by the Health Benefits Committee at their meeting on September 24,

2015, to remove the current vision benefit from the medical plan and to implement the same coverage levels through UnitedHealthcare's vision plan vendor, Spectera.

Roll Call Vote:

AYES: Fitzgerald, Goode, Herrera, Lewandowski, McFadden, Nester, Richardson, Wilson

NAYS: None

Vote Result: MOTION ADOPTED

The trustees next discussed the hearing aid benefit that had been approved last year and its associated expense. The trustees discussed that they needed further consultation from the health consultant to evaluate how the benefit would be administered going forward.

It was moved by Trustee McFadden and seconded by Trustee Goode that the hearing aid benefit under the medical plan provide for a maximum benefit of \$2,500 per ear once as a lifetime benefit.

Vote Result: MOTION ADOPTED UNANIMOUSLY BY VOICE VOTE

The trustees then discussed the copayments that members would be obligated to pay for services received from health practitioners who were not medical doctors, such as for payments for rehabilitative services to physical therapists. Currently, the members make a \$25 copayment for all such services as applicable.

It was moved by Trustee Lewandowski and seconded by Trustee Wilson that there would be no change to the medical plan and that members shall be subject to a \$25 copay when they receive any medical services.

Roll Call Vote:

AYES: Goode, Lewandowski, Richardson, Wilson

NAYS: Fitzgerald, McFadden, Nester, Herrera

Vote Result: MOTION NOT ADOPTED

It was moved by Trustee Fitzgerald and seconded by Trustee McFadden that the medical plan provide that members shall be subject to a \$15 copay when they receive physical therapy, chiropractic services, rehabilitative therapy and acupuncture treatments from health providers who are not medical doctors.

Roll Call Vote:

AYES: Fitzgerald, Herrera, McFadden, Nester

NAYS: Lewandowski, Richardson, Wilson

PRESENT: Goode

Vote Result: MOTION ADOPTED

b. Open Enrollment Update

The Director of Health Benefits reported that the Open Enrollment materials were now being prepared for mailing to the members. There will be four meetings at various locations in Cook County and that between 500-700 members were projected to attend the sessions.

8. Old Business/New Business

There were no old business matters or new business matters brought to the attention of the Board.

9. Adjournment

There being no further business before the Board, it was moved by Trustee McFadden and seconded by Trustee Fitzgerald that the trustees adjourn the meeting.

The next Board meeting is scheduled for November 5, 2015, at 9:30 a.m.